

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5082

INFO AMEMBASSY MEXICO CITY

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PASS FEDERAL RESERVE SYSTEM AND COMPTROLLER OF THE CURRENCY

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: ALLEGED US CREDIT TO FRAUDULENT OPERATORS

REF: SAN JOSE A-42 OF MAY 24, 1976

1. THE EMBASSY HAS BEEN INFORMED THAT THE BANCO DE LA CONSTRUCCION, (BDLC), AN ORGANIZATION ALLEGEDLY CONTROLLED BY PERSONS WHO HAVE ENGAGED INFRAUDULENT USE OF FUNDS RECEIVED FROM THE US EXPORT-IMPORT BANK AND FROM MANY PRIVATE US BANKS, HAS SUCCEEDED IN GETTING A LINE FOR CREDIT FROM A UNITED STATES BANK, THE FIRST NATIONAL BANK OF MOBILE ALABAMA, FROM A MEXICAN BANK, THE BANCO COMERCIAL MEXICANA, AND PERHAPS ALSO FROM THE EXIMBANK. THE LINE OF CREDIT FROM THE US BANK WAS ALLEGEDLY OBTAINED BY SILVIO LACAYO, A MEMBER OF THE BOARD OF DIRECTORS OF THE BDLC, FROM AN OFFICER OF THE FIRST NATIONAL BANK OF MOBILE, EKM HID JOHN PETZELLI.

2. LECAYO WAS FORMERLY THE EXECUTIVE VICE PRESIDENT OF THE LATIN AMERICAN BANK, THE INSTRUMENTALITY USED BY THOSE LIMITED OFFICIAL USE

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WHO NOW CONTROL THE BDLC, ALLEN AND ARNOLDO RODRIGUEZ,

TO DEFRAUD SO MANY US BANKS. PETZELLI WAS FORMERLY AN INTERNATIONAL LOAN OFFICER OF THE FIDELITY UNION BANK OF LYNCHBURG, VIRGINIA, WHEN THAT BANK LENT MONEY TO LAB, BUT HE MAY BE UNAWARE OF THE LAB SCANDALS AND OF THE REPUTATION OF THE RODRIGUEZ BROTHERS, AS HIS BANK ASKED FOR AND RECEIVED REPAYMENT FROM LAB SOME MONTHS BEFORE THE SCANDAL BROKE ON GROUNDS THAT IT WAS REDUCING ITS EXPOSURE ABROAD.

3. THE EMBASSY DESCRIBED THE FRAUDULENT ACTIVITIES OF THE RODRIGUEZ BROTHERS AND THEIR CONTROL OF THE BDLC IN REFERENCE A AND IN MANY PREVIOUS MESSAGES. AS OWNERS OF BOTH THE LATIN AMERICAN BANK AND A LARGE GROUP OF MISCELLANEOUS COMPANIES CALLED THE GRUPO PROIN, THEY CHanneled 70 PERCENT OF THE LOANABLE FUNDS OF THE LAB TO THEIR OWN GRUPO PROIN COMPANIES IN VIOLATION OF THE TERMS UNDER WHICH THE MONEY WAS OBTAINED ABROAD, ENGAGED IN A NUMBER OF QUESTIONABLE AND FRAUDULENT ACTIVITIES, AND COVERED UP EVERYTHING BY ISSUING PHONY FINANCIAL STATEMENTS.

4. NOW THAT THE LAB IS INSOLVENT AND MANY OF THE GRUPO PROIN COMPANIES ARE UNABLE TO MAKE PAYMENTS ON THEIR LOANS FROM LAB, THE RODRIGUEZ BROTHERS ARE BUSILY CREATING NEW COMPANIES FOR WHICH THEY ARE SEEKING CREDIT LINES HERE AND ABROAD. THERE IS EVERY REASON TO THINK THAT THE RODRIGUEZ BROTHERS WILL USE THE BDLC IN THE SAME WAY THEY USED THE LAB, AS A CONDUIT TO PASS CREDIT MAINLY TO THEIR OWN COMPANIES. THOSE WHO GIVE CREDIT TO THE BDLC THEREFOR RISK THE SAME FATE AS THAT SUFFERED BY THE CREDITORS OF LAB, WHICH WAS LOSS OF A GOOD PORTION OF WHAT THEY HAD LENT TO LAB.

5. THE ABOVE INFORMATION COMES FROM A RELIABLE BANKING SOURCE WELL KNOWN TO THE EMBASSY WHO GOT IT DIRECTLY FROM LACAYO, WHOM HE SEES PERIODICALLY IN THE COURSE OF HIS BUSINESS. THE SOURCE REPORTS THAT LACAYO COULD NOT RESIST BOASTING OF HIS SUCCESS IN OBTAINING THE US CREDIT.

6. AN ENTIRELY DIFFERENT SOURCE - A HIGHLY REPUTABLE LARGE-SCALE IMPORTER OF US BREEDER CATTLE--HAS TOLD THE EMBASSY THAT THE US EXPORT-IMPORT BANK IS ALSO INVOLVED LIMITED OFFICIAL USE

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EITHER DIRECTLY OR INDIRECTLY, IN A CREDIT LINE TO THE BDLC. IT IS NOT CLEAR WHETHER THIS REPORT RELATES TO THE SAME CREDIT LINE AS THE ONE OUTLINED ABOVE OR WHETHER IT RELATES TO A SEPARATE TRANSACTION. THE CATTLE IMPORTER REPORTS THAT HE HAS ARRANGEMENTS UNDERWAY FOR A SERIES OF SHIPMENTS OF DAIRY CATTLE FROM WISCONSIN TO COSTA RICA AMOUNTING TO A TOTAL VALUE OF OVER \$500,000. SEVERAL OF THESE SHIPMENTS ARE TO BE FINANCED THROUGH WHAT HE DESCRIBES AS

EXIM BANK CREDIT. HE STATES THAT AN OFFICER OF THE BDLC SHOWED HIM A LETTER FROM THE US EXPORT-IMPORT BANK WHICH ESTABLISHES A \$1 MILLION LINE OF CREDIT IN FAVOR OF THE BDLC. HE IS NOT SURE WHETHER THE LETTER RELATED TO A DIRECT CREDIT OR SOMETHING DONE THROUGH A US BANK (PERHAPS) FCIA INSURANCE). EMBOFF ADVISED THE CATTLE IMPORTER THAT EXIM WAS VERY UNHAPPY WITH ITS EXPERIENCE WITH THE LAB, AND WOULD BE MOST UNLIKELY TO ACCORD CREDIT OR CREDIT INSURANCE TO ANOTHER OUTFIT RUN BY THE SAME PEOPLE.

7 IT IS POSSIBLE THAT LACK OF KNOWLEDGE OF THE FRAUDULENT ACTIVITIES OF THE LAB OR OF THE CONNECTION BETWEEN LAB AND THE BDLC COULD LEAD US FINANCIAL INSTITUTIONS TO ACCORD CREDIT TO BDLC. THE EMBASSY ASSUMES THAT US BANK REGULATORY AUTHORITIES WILL WANT TO BE ALERT TO SUCH POSSIBILITIES, AND TO WARN US BANKS AS SUGGESTED REFTTEL.

8. THE EMBASSY WOULD APPRECIATE HAVING ANY INFORMATION THAT MIGHT BE DEVELOPED BY EXIMBANK, THE FEDERAL RESERVE SYSTEM, OR THE OFFICE OF THE COMPTROLLER OF THE CURRENCY RELATING TO THIS MATTER. WE WOULD ALSO LIKE TO KNOW WHETHER ANY WARNINGS HAVE BEEN ISSUED TO US BANKS CONCERNING LAB, THE GRUPO PROIN, AND THE BDLC.
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